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TRADE AND DEVELOPMENT BOARD
Forty-third session
Geneva, 7 October 1996
Item 9 (c) of the provisional agenda

INCLUSION OF A NATIONAL NON-GOVERNMENTAL ORGANIZATION IN THE REGISTER IN CONFORMITY WITH DECISION 43 (VII) OF THE TRADE AND DEVELOPMENT BOARD

Note by the UNCTAD secretariat

1. The National Centre for Overseas Development (NCOS), a national non-governmental organization, recently applied for inclusion in the Register of such bodies provided for under Board decision 43 (VII), sections III and IV.

2. In accordance with Board decision 43 (VII) and further to consultations with the member State concerned, the Secretary-General of UNCTAD has included NCOS in the Register.

3. Information concerning NCOS is annexed to this note.

GE.96-51407 (E)

Annex

BACKGROUND INFORMATION ON THE NATIONAL CENTRE FOR OVERSEAS DEVELOPMENT

Brief History

1. The organization was established in Belgium in 1966 as a pluralist organization by leaders of the main political parties in order to place the issue of development beyond party politics. The membership has since increased to cover the majority of the Flemish non-governmental organization community and 300 local groups.

Aims and objectives

2. According to article 3 of its Articles of Association, the principal objectives of NCOS are to: encourage cooperative action with partners from the third world by providing support with these partners for projects and programmes directed at disadvantaged groups; build up cooperative relationships by taking the views of these partners into account when formulating policy views; make information more widely available and provide resources for influencing public opinion in the area of overseas development; motivate cooperation among those non-governmental organizations involved with overseas development and make known their achievements; carry out research, adopt policies, and carry out campaigns to improve the macroeconomic position of third world countries; organize publicity campaigns and fund-raising on behalf of the member committees, partner organizations in the third world and non-governmental organizations; undertake discussions on joint political positions, joint aid policy and the joint duty to make their secretariats available to member committees and non-governmental organizations involved in overseas development; coordinate and supervise municipal and province-level committees with the intention of establishing a grass-roots level interest in development issues.

Membership

3. NCOS consists of non-governmental organizations in the Flemish community as well as approximately 300 local groups in Brussels and Flanders.

Structure

4. The organs of NCOS are the annual General Meeting; the Board of Directors, elected by the General Meeting for a period of three years, which is responsible for the management of the Centre; and a Bureau of six people established by the Board of Directors to take care of current personnel matters, making payments for projects and preparing meetings of the Board of Directors. There are also four Councils responsible for specific areas of work - development education, projects, policy and education. The secretariat has approximately 100 full-time staff. There is a provincial secretariat in each of the five Flemish provinces.

Financial resources

5. The Centre's resources are derived principally from funds from its annual fund-raising campaign (BF 180,000,000), sales of materials, State and European Union co-financing of projects and subsidies, government grants, legacies, gifts, interest payments and subscriptions.

Relations with other international organizations

6. NCOS maintains close working relations with many United Nations organs and bodies, including the United Nations Development Programme, as well as other international organizations.

Publications

7. NCOS publishes a monthly magazine "De Wereld Morgen", monthly magazines in the five provinces and brochures on third world issues in cooperation with other non-governmental organizations.

Liaison

8. Liaison with UNCTAD will be maintained by the Head of the Research Department, Mr. Rudy De Meyer.

Address

9. National Centre for Development Cooperation
11 Vlasfabriekstraat
1060 Brussels
Belgium

Telephone: (32 2) 539 26 20
Fax: (32 2) 539 13 43

10. The official language of the Centre is Dutch; the working language is English.

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TRADE AND DEVELOPMENT BOARD
Forty-third session
Geneva, 7 October 1996

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-THIRD SESSION

Rapporteur: Mrs. Violeta Fonseca de Sanabria (Venezuela)

INTRODUCTION: GENERAL DEBATE

Speakers: Out-going President
Newly-elected President
Secretary-General of UNCTAD
Cameroon (for Group of 77 and China)
Pakistan (for Asian Group)
Cuba (for Latin American and Caribbean Group)
Kenya (for African Group)
Bangladesh (for least developed countries)
Ireland (for European Union)
Russian Federation
Japan

Note for Delegations

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INTRODUCTION

1. Opening the forty-third session of the Trade and Development Board, the **out-going President of the Board**, Mr. William Rossier of Switzerland, observed that his year-long tenure of the presidency had coincided with a period of immense challenge for UNCTAD, which had spanned the preparatory process for the ninth session of the Conference, the Conference itself in Midrand, South Africa, and the early stages of the implementation of the Midrand Declaration and A Partnership for Growth and Development. As an exercise in multilateral cooperation, UNCTAD IX had undoubtedly been a resounding success - a win-win outcome for all parties. UNCTAD had emerged rejuvenated, strengthened and ready to face the arduous new challenges ahead. Indeed, it was vital to ensure that the Midrand decisions were implemented quickly and fully, that they were translated into tangible results. Barely two months after the close of the Conference, the thirteenth executive session of the Board had taken the decisions necessary to launch the post-Midrand implementation process. For his part, the Secretary-General of UNCTAD had completed the restructuring of the secretariat in the light of the Midrand decisions. Of course, the follow-up to Midrand was not something that would be over and done in a matter of months: it was a continuous process, the success of which could be gauged only in four years' time, on the eve of the tenth session of the Conference in Thailand. But his observation, during his presidency, of the cooperative will of the member States and the mood of the secretariat had fortified his faith in the eventual triumph of the spirit of Midrand.

2. The **newly elected President of the Board**, Mr. Patrick Sinyinza of Zambia, said that the confidence of the international community in UNCTAD as an organization capable of leading the way into the 21st century in a changing world had been given collective expression in the Midrand Declaration and A Partnership for Growth and Development. Subsequently, the leaders of the G.7 Summit, meeting in Lyon, France, had stated in their final communique that UNCTAD IX had been a milestone in the renewal of UNCTAD, having succeeded in reforming the intergovernmental machinery of UNCTAD and refocusing its work on a small number of priorities to promote development through trade and investment with the aim of facilitating the integration of developing countries in the international trade system. Likewise, the Ministers for Foreign Affairs of the Group of 77 and China, in the Ministerial Declaration of their Twentieth Annual Meeting, had welcomed the outcome of UNCTAD IX and reaffirmed their strong commitment to strengthening UNCTAD, urging the international community to provide the organization with political and financial support to enable it to discharge its mandate fully.

3. In this context, he felt sure that delegations had come to the current session of the Board not to fulfil routine representational formalities but, stimulated and motivated by the in-depth and solid analytical reports prepared by the secretariat, to hold a serious dialogue on issues that were of primary concern to their policy-makers. The secretariat reports, in particular the Trade and Development Report 1996 and the World Investment Report 1996, had attracted the attention of the media worldwide in both developed and developing countries. When one looked at the current world economic situation, it was clear that many developing countries were now performing well economically, but a firm resolve to deal with the overwhelming problems that weighed upon the poorest countries lay at the core of the Board's work. UNCTAD had tuned itself to the realities of a rapidly changing world by striving to reach all actors in development, including key decision-makers in the private sectors - an aspect that was clearly visible in the arrangements made for the high-level segment of the Board. He hoped that all participants in the Board, in working together, would devote their experience, wisdom and competence to the successful implementation of the outcome of UNCTAD IX.

4. The **Secretary-General of UNCTAD** said that the reform process which he had undertaken in UNCTAD since UNCTAD IX had taken longer than expected in view of the complexity of the problems. As a result of the reforms, the eight Divisions in existence before Midrand had now been reduced to four Divisions dealing with the main areas of work agreed upon in the Midrand final document. Henceforth, the analytical work, consensus-building and technical cooperation related to LDCs would be dealt with by the four Divisions in their respective spheres, each Division having a focal point for this purpose. He was currently seeking the best possible candidate to fill the post of Special Coordinator for Least Developed, Landlocked and Island Developing Countries.

5. In general terms, the restructuring of the secretariat had resulted in reduced costs and greater efficiency. Professional posts had been reduced by 12.5 per cent, while posts in the General Service category had been reduced by 11.1 per cent. In other words, one in eight regular UNCTAD staff members had gone. Moreover, the decrease in the number of meetings days per year agreed upon in Midrand would lead to considerable savings in the United Nations budget. The fundamental aim was to achieve a performance-driven organization that was more and more relevant to the development needs of the most needy countries - an organization that was fully accountable to its member States. He urged delegations, for their part, to avoid reopening questions that had been resolved or engaging in micro-management of the secretariat's activities. There was now a need for a period of stability to facilitate the implementation of the Midrand provisions. Monitoring of progress would henceforth be an integral part of the

new management style, and the secretariat stood ready to be judged on results. But in view of the difficulty of the tasks that lay ahead, he appealed to member States to maintain a sense of proportion in passing judgement on the secretariat's efforts.

6. The recent substantive work of the secretariat had been inspired by a reflection on the success of the South-East Asian economic experience. The secretariat had come to the conclusion that there were lessons in the South-East Asian experience that could often be replicated to advantage by developing countries, including LDCs, in other regions. The original development aims of UNCTAD remained at the centre of its functions and its raison d'être. But with the approach of the year 2000, it was appropriate to look closely at what changes had been taking place in the practical and theoretical aspects of development. One could begin by taking stock, before moving on to an examination of the challenges posed by the next millenium. What were the factors and circumstances which today conditioned development and which had simply not existed back in the 1960s? How could the qualitative aspects of development be emphasized along with the quantitative factors, in order to improve the quality of life of ordinary people? In focusing attention on income distribution and poverty alleviation, UNCTAD would have to tackle the problem of how to reconcile economic growth with social equality - an issue that called for in-depth research. Then again, there was the question of ensuring the sustainability of development, so that future generations would inherit an enhanced environment and would not blame the people of today for having wasted natural resources.

7. Accordingly, UNCTAD's intergovernmental meetings and its reports would need to be so structured as to make a clear contribution to all these new and emerging aspects of development, and the technical cooperation activities should be geared to translating UNCTAD's work into practical assistance and advice that would help countries to integrate fully into the development effort. Working within the United Nations system in the areas of trade, investment and development, UNCTAD had a duty to generate sound reasons for optimism, so that the globalization of international trade would come to be seen, not as a threat, but as a means to improve the living standards of all peoples.

8. The spokesman for the **Group of 77 and China** (Cameroon) said that this session of the Board, the first to be held after the milestone of UNCTAD IX, was set to become one of the most significant in the history of UNCTAD. The integration of developing countries into the global economy was a major challenge to the international community. Unless intensive efforts were made to help these countries to benefit from the process of global trade liberalization, many of them would risk being marginalized in world trade, investment, commodities and

capital markets. In the new international trading environment there were indeed new opportunities for all developing countries, but also new risks. The Trade and Development Report 1996 (TDR) hinted at the potentialities for export-oriented industrialization in the globalizing division of labour in the production of manufactures, and made a number of concrete proposals for developing countries on how to make best use of the new opportunities. There could be no doubt that coherent strategies for trade and industrialization were essential at the national level to reach the desired results. But in a highly interdependent world economy, the international trading environment was equally important for successful outward-oriented development. Intensified South-South cooperation was an important ingredient in developing countries' efforts to achieve rapid export-oriented industrialization. New ideas, such as that of an international marketing and information service to assist developing countries in formulating their export strategies and to avoid terms-of-trade losses, as stated in TDR 1996, were very interesting. But it was also crucial for the success of export-oriented development that the developed countries fully honour the commitments they had made in the Final Act of the Uruguay Round, in order to assure greater market access for the developing countries.

9. The problem of high and rising unemployment in a number of major industrialized countries had important implications in this respect. The way in which the developed countries tackled this problem would influence the potential of developing countries to accelerate their economic and social development and to succeed with their outward-oriented policies. It was essential that the problem of unemployment in developed countries should not be solved at the expense of the developing world, and that trade liberalization in the developed countries be completed. The developing countries themselves had already made huge efforts to liberalize their external trade, and their imports of manufactures contributed significantly to employment creation in the developed countries. But the size of these imports was determined by the purchasing power of the developing countries, via rising earnings from exports of manufactures, better prices for primary commodities and sufficient access to external finance.

10. Regarding the availability of external financing from international capital markets, there continued to be great disparities among developing countries. Only a minority of these countries was in a position to raise significant amounts from this source. The great majority remained heavily dependent on official financing. Moreover, the debt problem of many poor countries was far from being resolved. The recent initiative taken by IMF and the World Bank to tackle the debt of the heavily indebted poor countries in a comprehensive way was most welcome, implying as it did a significant reduction in their multilateral debt burden. However, the utmost flexibility should be applied to the eligibility

criteria related to debt relief, so that all heavily indebted poor countries could benefit from it.

11. The Group of 77 and China believed that UNCTAD had an important role to play in promoting a better understanding of the issues involved in the discussion of the Multilateral Agreement on Investment and in helping countries determine their position regarding future developments in the multilateral treatment of foreign direct investment. A better understanding of the role of foreign direct investment, the complex linkages of trade and investment, and the dynamics of business globalization was a precondition for any further development of international arrangements dealing with foreign direct investment. Today, more than ever before, if developing countries sought to trade on a more equal basis, they would need massive investments in all areas. Knowledge and mastery of new technology were more necessary than ever for efficient production and trading.

12. The Group of 77 and China had also noted with satisfaction the progress report covering the UNCTAD secretariat's activities addressing the situation in Africa. The implementation of the New Agenda, adopted in 1991, had a degree of success, contributing to a more favourable climate for international development cooperation. More African countries had made significant progress in a number of key areas in 1995 as compared to 1991. There were, however, a number of critical issues that still required greater efforts during the mid-1990s and beyond, in particular when Africa had to face the challenge of the post-Uruguay Round trading environment. Africa as a region had yet to show tangible signs of a strong recovery and sustained growth. The region's share of world output and trade had continued to shrink, whereas its population had continued to grow. Economic performance in many countries of the region was still characterized by low productivity, management difficulties, and failure to diversify from a narrow production and export base.

13. The Group of 77 and China noted with concern that only limited progress had so far been made in the implementation of the Paris Programme of Action for the Least Developed Countries for the 1990s. Despite this, the LDCs and the island developing countries themselves had, in the face of serious domestic and external difficulties, been implementing economic and political reforms in accordance with the spirit of the Paris Programme of Action. It was therefore imperative that these efforts be fully supported by their development partners, particularly through an increase in external resource flows, urgent and decisive reduction of the debt stock and debt-servicing burden of the LDCs, and improved market access for their exports.

14. There were a number of issues to which his Group attached great importance and it therefore looked forward to an in-depth discussion on the diverse measures necessary to implement the recommendations of UNCTAD IX. Such concerns included the dwindling resources available for technical cooperation, particularly for LDCs and the small island countries. His Group also wished to find an acceptable solution for increasing the participation of developing-country experts in the work of UNCTAD and looked forward to innovative ideas in this regard. With regard to UNCTAD's publication policy, the Group of 77 wished to seek ways and means for strengthening UNCTAD's analytical and intellectual capacity-building, as envisaged in the Midrand final document.

15. The future role of the developing countries in UNCTAD would depend on how the Midrand Declaration and A Partnership for Growth and Development and the mandates of the new Commissions were translated into work programmes and implemented. Serious dialogue and discussion in UNCTAD could, at some point, lead to national and international policy decisions. The achievement of goals agreed upon at Midrand was dependent on the effectiveness of in-depth review, monitoring and follow-up of the substancive recommendations of the Conference. The Commissions and the expert meetings to which they gave rise were expected to function by identifying issues based on high-quality analytical work; intergovernmental consultations, dialogue and interaction aimed at seeking convergence; and, where appropriate, cooperation and action. The forthcoming meetings of the Commissions and experts would present all parties with new challenges, and their loyalty to the Midrand Declaration and A Partnership for Growth and Development would be put to the test in the drive to translate the provisions into operational reality. He trusted whole-heartedly that the international community would soon find the necessary resolve to deal with the problems of the developing countries, so that all countries could benefit from the fruits of their commitments.

16. Brief interventions in support of the statement delivered by the representative of Cameroon on behalf of the Group of 77 and China were made by the spokesmen for the **Asian Group** (Pakistan), the **Latin American and Caribbean Group** (Cuba), the **African Group** (Kenya) and the **least developed countries** (Bangladesh).

17. The representative of **Ireland**, speaking on behalf of the **European Union**, said that the European Union had welcomed the successful outcome of UNCTAD IX and was strongly committed to its full implementation in both letter and spirit, believing that it provided UNCTAD with a clearly defined work programme related to trade and development issues. She saw the past year as a watershed in UNCTAD's history - a year in which the international community had conducted a

fundamental analysis of UNCTAD's role in a globalizing and liberalizing world economy, resulting in a common conclusion about the future direction, necessary work and institutional structure of UNCTAD. The European Union believed it was now time for UNCTAD to focus on the issues of substance set out in its work programme, building on the foundations established at Midrand and refraining from re-opening debates which had been concluded at UNCTAD IX. The States members of UNCTAD must ensure that their dialogue focused on the real needs of developing countries and must seek action-oriented results.

18. At its current session, the Board had two central functions. Firstly, it must review several key policy issues from a trade and development perspective. In this area the European Union looked forward, in particular, to a discussion of the Trade and Development Report's interesting analysis of East Asia's development experience and the lessons it might have for other developing countries. Secondly, the Board had to undertake important managerial tasks essential to the future efficient functioning of UNCTAD, on which the Union expected detailed discussions in such areas as UNCTAD's technical cooperation activities and UNCTAD's publications policy. She believed that the President and the Bureau of the Board would work to ensure that discussions in the Board and in the Commissions were structured and coordinated so as to permit a real and substantive debate. To that end, the Union encouraged efforts to move away from the traditional exchanges of lengthy formal statements of position on individual items. The collective efforts of the Board membership during the current session would set the tone of UNCTAD's deliberations for the coming year and constitute an important test of the new UNCTAD.

19. The documents prepared by the secretariat for the current session of the Board amply demonstrated the depth and breadth of knowledge and analysis available in UNCTAD. They pointed clearly to continuing rapid growth in the flows of world trade and investment, as well as to the important opportunities for development which globalization and liberalization were creating. Indeed, UNCTAD's research showed the many benefits which a wide range of developing countries were reaping from the changing patterns of world trade and investment. The European Union was struck, however, by the growing disparities in economic performance among developing countries and the continuing difficulties which the least developed countries faced in taking advantage of these new trade and investment opportunities. This relative marginalization of the LDCs was a particular focus of the EU's attention. A deeper appreciation was needed of the complex range of economic, social and political factors which combined to inhibit the greater participation of LDCs in the world economy. This was something which should be reflected in all aspects of UNCTAD's work programme.

20. In conclusion, she said that the European Union looked forward to arriving at an outcome of the Board which reflected the new spirit of partnership and cooperation founded at Midrand. In particular, the Union looked forward to the high-level segment and would strive to ensure that this innovation in UNCTAD's work, which opened the door to non-governmental participation, was a success.

21. The representative of the **Russian Federation** said that his delegation supported the policy of prompt implementation of the decisions taken at UNCTAD IX, both in the area of creating a new intergovernmental mechanism and in adjusting the structure and composition of the secretariat to bring it into line with the current UNCTAD guidelines and tasks. He attached much importance to the confirmation and strengthening of UNCTAD's mandate as the core body on interrelated issues of trade and development in the United Nations system. The work of UNCTAD should be based on the principle of universality, which his delegation regarded as the equal right of any country or group of countries to a proper examination of matters of interest to them. A reasonable balance between trade and development problems should be maintained in the activities of UNCTAD - an organization that possessed sustainable comparative advantages in the integrated examination of development-related issues of trade, technology, investment, services and environmental protection. UNCTAD should maintain its position as the most important forum for "running in" these and other emerging questions in the above-mentioned areas, and in searching for solutions to them. This would facilitate their introduction by mutual agreement into multilateral legal disciplines, when this was considered necessary. There should be a more distinct division of authority between UNCTAD, WTO, ITC and the Bretton Woods institutions on the basis of complementarity and comparative advantages, and he called for coordination and cooperation among them to be strengthened in order to achieve synergy and avoid duplication and parallelism in their work.

22. He noted that positive steps had been taken to restructure the intergovernmental machinery in order to make it more compact, economical and transparent, while ensuring adequate coverage of the priority areas of UNCTAD's activity set forth in the Midrand final document. He was delighted to see that UNCTAD activities which were of importance to his country - such as assistance to developing and transitional economies in integrating into the international trade system, restrictive business practices and competition issues, trade in services, the interrelationship between trade and environment, and the impact of economic regionalization on the multilateral trade system - were duly reflected. UNCTAD's technical cooperation activities were highly appreciated, especially for the part they played in the integration of developing and transitional economies into the world trade system, in the full realization of their rights and capacities in the light of the Uruguay Round Agreements, and

in facilitating accession to WTO. It was very important to promote this field of UNCTAD activity, ensuring at the same time an effective and transparent control of expenses.

23. Finally, it was important to continue to exploit the valuable analytical potential of UNCTAD in considering the key problems of trade and development, with a view to drawing up practical recommendations to facilitate the adoption of adequate political decisions. While recognizing that UNCTAD's publishing policy should be rationalized, his delegation considered that the two basic recurrent reports - the Trade and Development Report and the World Investment Report - should continue to be published.

24. The representative of **Japan** said that, as all delegations had recognized at UNCTAD IX, full participation of developing countries in world trade did contribute to the alleviation of poverty and generate employment in those countries. The expansion of trade based on comparative advantage was beneficial to both developed and developing countries in the long run. However, developing countries faced various difficulties, particularly in terms of human and institutional capacity-building, expanding exports and implementing the WTO obligations. All parties had agreed in Midrand that UNCTAD should use its expertise to contribute to the further integration of developing countries, particularly the LDCs, into world trade for the purpose of achieving sustainable development. He therefore emphasized the need to have constructive deliberations on substantive issues at the current session of the Board. While being aware of the problems and difficulties ahead, everyone should maintain a constructive approach with a view to fostering an atmosphere of partnership that would show the world that UNCTAD now had a different approach to the challenges on the international economic agenda. It had been said that UNCTAD IX had marked the renascence of UNCTAD - the replenishment of new ideas and strategies to tackle development problems. It was now time to demonstrate that UNCTAD could produce practical and concrete results.

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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-THIRD SESSION

Rapporteur: Mrs. Violeta Fonseca de Sanabria (Venezuela)

AGENDA ITEMS 2 AND 3

Speakers: Director-General World Trade Organization
Director, Division on Globalization and Development Strategies
Ireland (for European Union)
Cuba (for Latin American and Caribbean Group)
Pakistan (for Asian Group and China)
India
Norway
China
Morocco (for African Group)
Ethiopia
Belarus
Switzerland
Japan
Islamic Republic of Iran
Indonesia

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Chapter I

SEGMENT FOR HIGH-LEVEL PARTICIPATION; SUBSTANTIVE POLICY ITEM: FOREIGN DIRECT INVESTMENT AND DEVELOPMENT IN A GLOBALIZING WORLD ECONOMY

(Agenda item 2)

25. For its consideration of agenda item 2, the Board had before it the following documentation:

"Foreign direct investment and development in a globalizing world economy" - report by the UNCTAD secretariat (TD/B/43/5)

World Investment Report, 1996 (UNCTAD/DTCI/32)

World Investment Report, 1996: Overview (UNCTAD/DTCI/32 (Overview))

26. In the context of paragraph 107 (a) of the final document of UNCTAD IX, the Trade and Development Board recommended, at its thirteenth executive session on 8 July 1996, that the one-day segment for high-level participation should take place during the forty-third session of the Board on 10 October 1996. On that occasion, the Board also approved the three topics that would be addressed by the high-level segment.

27. Accordingly, the high-level segment on agenda item 2 was held throughout the day of 10 October 1996. The high-level segment took the form of an UNCTAD Global Investment Forum, presided over by Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa. The panellists participating in the three panels included Government Ministers and corporate executive officers (CEOs) from all over the world. The programme of the Forum and the participation in the panels was as follows:

Morning

Opening statements by Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa, and Mr. Rubens Ricupero, Secretary-General of UNCTAD.

Business perspectives on foreign direct investment and development: views of the business community

Speakers: Ms. Maria Livanos Cattaui, Secretary-General, International Chamber of Commerce

Mr. Douglas Gregory, Senior Advisor, International Trade and Investment, IBM Canada Ltd.

Panel 1: ***Trends, policies and interrelationships***

Trends in FDI, in particular to least developed countries, their determinants and impediments, and policy implications for the promotion of FDI. Interrelationships between investment, trade and technology, and implications for development.

Chairman: Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa

Moderator: Mr. Guy de Jonquières, Business Editor, *Financial Times*

Panellists: Mr. Farooq Sobhan, Secretary of Foreign Affairs, Bangladesh

Mr. Abi Woldemeskel, Vice Minister and Deputy Head, Investment Office of Ethiopia

Mr. Alain Ramaroson, Minister of Industry, External Trade and Crafts, Madagascar

Mr. Dhundi Raj Shastri, Minister of Industry, Nepal

Mr. Mohib Ullah Shah, Deputy Minister of Investment, Pakistan

Mr. Yeo Cheow Tong, Minister of Trade and Industry, Singapore

Mr. Basoga Nsadhu, Minister of State for Finance, Uganda

Mr. Peter Brabeck, Executive Vice President, CEO designate, Nestlé S.A., Switzerland

Mr. John Koo, President and CEO, LG Electronics Inc., Republic of Korea

Mr. Bill Jordan, General Secretary, International Confederation of Free Trade Unions

Resource person: Mr. Sanjaya Lall, Lecturer, Development Economics, Oxford University

Afternoon

Panel 2: ***Towards a multilateral framework on investment?***

Examination and review of existing agreements, identification and analysis of issues relevant to a possible multilateral framework on investment and implications for development.

Chairman: Mr. Rubens Ricupero, Secretary-General of UNCTAD

Panellists: Mr. Long Yong-Tu, Assistant Minister of Foreign Trade and Economic Cooperation, People's Republic of China

Mr. I. Adam, Minister for Trade and Industries, Ghana

Mr. B.B. Ramaiah, Minister of State for Commerce, India

Mr. Yoji Ishimaru, Director-General, International Economic Affairs Department, Ministry of International Trade and Industry, Japan

Ms. Danuta Hübner, Vice-Minister of Industry and Trade, Poland

Mr. F. Hamburger, Director for Development Policy, European Commission, Brussels

Mr. Rufus Yerxa, Partner, Akin & Gump Law Firm, Brussels, former Deputy United States Trade Representative

Mr. Thomas Bata, Honorary Chairman of Bata Shoe Organization, Canada

Mr. Martin Khor, Chairman, Third World Network, Malaysia

Resource person: Mr. Monty Graham, Senior Fellow, Institute for International Economics, United States

Panel 3: ***Where do we go from here? Views from regional and international organizations***

Chairman: Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa

Moderator: Mr. James Morgan, Chief Economics Correspondent, BBC World Service

Panellists: Mr. William Rossier, Chairman of the WTO General Council

Mr. Patrick N. Sinyinza, President, Trade and Development Board

Mr. Marino Baldi, Chairman, Committee on International Investment and Multinational Enterprises, OECD, on behalf of the OECD Negotiating Group on the Multilateral Agreement on Investment

Mr. Melito Salazar, Under-Secretary, Ministry of Trade and Industry, and Managing Head of the Board of Investment of the Philippines, on behalf of APEC

Mr. Antonio Kandir, Minister of Planning and Budget of Brazil, on behalf of MERCOSUR

Ms. Joanna Shelton, Deputy Secretary-General, OECD

Mr. Rubens Ricupero, Secretary-General of UNCTAD

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Closing statements by Mr. Rubens Ricupero, Secretary-General of UNCTAD, and Mr. Alec Erwin, President of UNCTAD IX and Minister of Trade and Industry of South Africa

28. A written message from Mr. Boutros-Ghali, Secretary-General of the United Nations, was addressed to the high-level segment of the Trade and Development Board. The text of the message was circulated in TD/B/43/L.3.

[To be completed as appropriate]

Chapter II

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: RETHINKING DEVELOPMENT STRATEGIES; SOME LESSONS FROM EAST ASIAN DEVELOPMENT EXPERIENCE

(Agenda item 3)

29. For its consideration of agenda item 3, the Board had before it the following documentation:

Trade and Development Report, 1996 (UNCTAD/TDR/16)

Trade and Development Report, 1996: Overview (UNCTAD/TDR/16 (Overview))

A. Statement by Mr. Renato Ruggiero, Director-General of the World Trade Organization

30. The **Director-General of the World Trade Organization** said that the goals of economic development and trade liberalization were linked in an increasingly interdependent world. The nature of the world trading system had been transformed since the 1940s. WTO rules today encompassed standards, services, intellectual property, trade-related investment and a host of other economic activities. WTO membership now stood at 125 countries, 80 per cent of which were developing countries or countries in transition. Globalization of economic activity and deep integration had greatly reinforced the inherently interdependent and mutually beneficial nature of trade. The international community was no longer writing the rules of interaction among separate national economies, but rather the constitution of a single global economy, and the primary focus should be on advancing the trading system as a whole. Real economic interests were increasingly global and economic security hinged more and more on the strength of others. The clearest manifestation of this was the growing role of the developing countries in the international trading system. Ninety of the WTO's 125 members were in the developing world and 30 of those countries that had applied to join were developing countries or economies in transition. Developing countries were increasingly active participants in the functioning of the system, having initiated about half the requests for WTO consultations or panels in the past 18 months - a large increase in comparison with their share of 10 per cent of the disputes examined by GATT between 1980 and 1994. Developing countries' growing leverage in the global trade system was based on raw economic power: they currently accounted for a quarter of world

trade and, if current trends continued, this figure could reach 40 per cent by the year 2010 and over half by 2020.

31. Thus the paradigm for economic development had changed dramatically. While the conventional wisdom used to be that developing economies needed protection, if only temporarily, from international trade and competition, it was now recognized that the opposite was true. Open trade spurred innovation and creativity, fostered specialization and lowered input costs. The old orthodoxy that foreign direct investment posed a risk to development was being stood on its head. Foreign investment had emerged as the central nervous system of the world economy, supplementing domestic savings and increasingly providing the linkage through which flowed investment in production, access to global distribution networks and mastery of current technologies on which sustained growth now depended. No one stood to benefit more from globalization than did developing countries. All countries now competed for the same investments, markets and innovative edge. In this sense, globalization was a great leveller, and the lines separating the developed, developing and least developed worlds were blurring.

32. Growing trade and production benefited all parties. In 1995, imports of the 10 leading Asian developing countries had amounted to nearly $750 billion. By the end of the next decade, it was estimated that developing countries would buy over a third of industrialized countries' exports. Exports were now more than ever significant for employment. Far from costing the developed world jobs, import demand from the economies in Asia and Latin America had greatly softened the effects of recession; but the developing world's continued growth strongly depended on access to developed-country markets. Although the major developing economies had begun to generate their own internal demand and many had grown rapidly since 1990 without the stimulus of demand in developed countries, they remained dependent on access to services, investment and technology supplied by developed countries.

33. The success or failure of all countries depended on the success or failure of the global community as a whole. At the G-7 meeting in Lyon, where the plight of the least developed countries had been a priority, he had emphasized commitment to four points: full and rapid implementation of the Marrakesh Declaration on least developed countries; improving the market access of such countries by working towards elimination of all tariffs and non-tariff barriers to their exports; helping improve the investment climate for such countries, especially by creating a more level playing field through the negotiation, at the appropriate time, of multilateral rules on investment; and helping build human and institutional capacity by improving the effectiveness and co-ordination

of technical co-operation. He would continue to press these proposals, and hoped the report of the WTO's Committee on Trade and Development to the WTO Ministerial Meeting in Singapore in December 1996 would aid in this cause. All available tools - trade, investment and structural adjustment - must be brought to bear on the problem of the marginalization of least developed countries, and there must be close cooperation between WTO, various organs of the United Nations system, the Bretton Woods organizations, and the various regional bodies to ensure that the resources and expertise of the international community remained focused, coordinated and relevant to the most pressing global needs.

34. Developing and developed countries alike should play a positive role in preparing for the Singapore Ministerial Meeting because of the interests of all in designing the common rules and structures of a shared global economy. Nothing exemplified this new logic of trade policy more than the issue of investment. There was already a consensus that the issues of trade and investment were intimately linked in the context of globalization, and that the issues raised by this linkage needed further examination. The UNCTAD and WTO secretariats were already working together very closely in analysing investment issues, and recent reports published by both of them reflected this collaboration. There was a real possibility in Singapore of reaching an MFN agreement to eliminate all tariffs on a great number of information technology products by the year 2000. The value of trade involved in an Information Technology Agreement would be at least $400 billion, which was more than the value of the world's total agricultural trade. Singapore would also offer an occasion to explain where the process of globalization - which was changing peoples' lives and sparking an intense debate about jobs, incomes, social standards and the environment - was leading, and to build the bridges between countries required by their interdependence.

B. General debate

35. The **Director of the Division on Globalization and Development Strategies** opened the debate on this item with a statement which drew special attention to the section of the *Trade and Development Report 1996* on lessons from East Asian experience for development strategies.

36. The representative of **Ireland**, speaking on behalf of the **European Union**, pointed out that there was no single Asian development model as each case had specific characteristics. However, there was a consensus on some common features of most, if not all, successful economies. These included macroeconomic stability, high rates of domestic saving, maintenance of sound financial intermediaries, high priority given to human resource development (especially to high-quality primary and secondary education), competitive exchange rates,

export orientation, a supportive environment which rewarded entrepreneurship and allowed open and constructive dialogue between government and the private sector regarding objectives and policies, and governance which balanced the promotion of social cohesion and consensus with that of competition between individuals and companies.

37. There was substantial overlap between the classical framework of structural adjustment and the common features identified in the Asian experience. Both indicated that the private sector should play the central economic role, without needless bureaucracy and controls on business activity; that the policy environment should provide macroeconomic stability and a competitive exchange rate, and that it should support an internationally competitive private sector; that public services and infrastructure should be efficient and effective; that fiscal deficits should be curtailed to allow mobilization of savings for investment, and that public expenditure should accord priority to human-resource development; that financial institutions should inspire confidence and offer positive real interest rates; that export industries should have ready access to imported inputs; and that labour markets should be sufficiently flexible.

38. The European Union broadly supported a general approach along these lines. The main differences between the Asian policy approach and that promoted by the EU in its economic cooperation related to protection against imports and government *dirigisme*, especially with regard to selecting and promoting new industries via State intervention. The latter practice had resulted in very uneven success both among Asian countries and elsewhere, and had in some cases strongly undermined growth capacity.

39. He observed that whereas the first tier of newly industrializing economies in Asia were compelled to focus their export drive almost exclusively on industrial-country markets, there was now scope for increased trade among developing countries. Likewise, there were now many alternative sources of foreign investment for developing countries, including the more advanced developing countries. Commenting on the need to assist many developing countries, especially the least developed countries, with the promotion of exports, he said the EU had taken note of the suggestion in the *Trade and Development Report 1996* for establishing an international marketing and information service, but was of the view that such assistance should take place at a level as close as possible to the relevant industry and be based upon detailed understanding of export capabilities. This task was, he felt, already an important activity of the International Trade Centre UNCTAD/WTO and was also included in bilateral development assistance.

40. Finally, he stated that the European Union wished to place on record its objection to the argument put forward in the *Trade and Development Report* that European economic and monetary union would prove to be a deflationary process.

41. The spokesman for the **Latin American and Caribbean Group** (Cuba), commending the Secretary-General's efforts to finalize the restructuring of the secretariat, emphasized the need henceforth for stability in order to enable UNCTAD to continue playing a useful role in world development.

42. He noted with disappointment from the *Trade and Development Report 1996* world economic growth in 1994 and 1995 had been below expectations, and was expected to remain so in 1996. This slow growth of the world economy, which was largely due to deflationary policies in the developed countries, especially in Western Europe, was a serious threat to globalization and was having negative effects on the developing countries. He considered the *Report*'s view that economic prospects for the South were now more brilliant than those for the North to be over-optimistic, because rapid growth in the South remained limited to a small number of countries. In Latin America, in particular, the modest regional growth rate of 2.5 per cent forecast by the *Report* would not allow for a significant increase of per capita incomes in 1996. However, one positive element was the performance of Chile, which had been able to maintain growth rates comparable to those of East Asian countries, while maintaining macroeconomic stability. He suggested that a case study on Chile might be carried out in the framework of the Commission on Investment, Technology and Related Financial Issues, in order to single out useful aspects of that country's experience which could be applied to other countries in the region, especially in the field of investment promotion.

43. In the view of the Latin American and Caribbean Group, the secretariat's recommendation of an increase in domestic savings and investment and of greater export competitiveness was very difficult to carry out for developing countries which were still facing protectionist barriers in developed countries' markets, and were hampered by a lack of international financing on reasonable terms. Indeed, the *Report* recognized that private capital flows were benefiting only a handful of countries, and most developing countries were as dependent as ever on official financing. His Group therefore proposed that the secretariat analyse alternative credit mechanisms, and urged the developed countries to understand the South's financing requirements.

44. He expressed agreement with the *Report* on the urgency of reforming the planning and institutional framework of development policies in many developing countries. On the issue of replicating the East Asian export-led success, he

felt that many interventionist policies applied in that region in the past were probably not feasible for other developing countries in the current international situation. This left open the question of the right development strategy for these countries, taking into account national and regional characteristics. While acknowledging the central importance of national policy efforts aimed at macroeconomic adjustment, he underlined the need for adequate international support. Moreover, promotion of economic cooperation among developing countries, mainly structured around regional and subregional integration, was also extremely important.

45. The spokesman for the **Asian Group** and **China** (Pakistan) said that, while global interdependence was already a reality, the globalization process was intensifying interdependence by bringing economies even closer together and making them more dependent on each other. Globalization was neither totally benign nor totally harmful. It offered opportunities and involved costs. The opportunities had to be identified and exploited in such a way that globalization did not become a process in which the winners took all, thus widening the gap between those able to reap the gains of globalization and those left behind. The enormous human and social strains of globalization could be minimized by stimulating sustained economic growth, particularly in the major industrialized countries. He therefore noted with concern the continued slow recovery in the industrialized world, particularly in Western Europe. Deflationary policies adopted by the developed countries had contributed to this situation.

46. There were two other issues deserving immediate attention. The first was the instability in international financial markets. He noted with satisfaction the initiative taken by the IMF to face such a situation in the future but felt that the proposal put forward by the G-24 for multilateral coordination and surveillance of macroeconomic policies of industrialized countries should be given serious consideration. The second issue was the problem of debt, which continued to haunt many developing countries. The recent initiative taken by the World Bank and IMF, with support from the G-7 and Paris Club Creditors, was encouraging. However, the initiative fell short of the expectations of the heavily indebted poor countries in three respects: the debt sustainability criteria were still restrictive; appropriate flexibility was needed in determining country eligibility; and a more realistic time frame for eligibility should be offered.

47. The sustained export-led growth and development in the East Asian countries was extremely important for their developmental efforts, and great interest attached to the question of whether this could be replicated by other developing countries. Many in the developing world had not been satisfied by the neo-

classical approach adopted by the World Bank in its assessment of the Asian development experience, and UNCTAD had made a useful contribution to this ongoing debate. The *Trade and Development Report* had gone beyond the traditional argument put forward by the World Bank in various respects: first, by emphasizing the need to establish a dynamic interaction between exports and investment; secondly, by showing the importance of mobilizing and making full use of natural resources and abundant, unskilled labour and of continuously upgrading industries and moving up the technological ladder; and thirdly, by pointing to the challenges for government policies involving new forms of intervention to support a dynamic process of development. However, the debate on the East Asian miracle was far from over, and there were still many questions which needed to be answered. These related to the vulnerability of countries dependent on FDI, the more restricted role that government policies could now play and the strongly regional nature of the East Asian experience. Concerning this last issue, he pointed out that newly industrialized economies could become the source of FDI as well as markets for the products of other less developed countries. He therefore urged UNCTAD to study this dimension of East Asian development in greater depth. Finally, he expressed disappointment at the failure of the *Trade and Development Report* to discuss the actual impact of new trading opportunities created by the Uruguay Round Agreements on the exports of developing countries, and he called on the secretariat to devote a section of next year's Report to this aspect.

48. The representative of **India** considered the examination in this year's *Trade and Development Report* of the success of the East Asian developing countries to be particularly useful in view of recent rapid changes in the international economy. Important lessons to be learned from the Asian experience in such areas as investment and savings, research and development and regional policies. On the basis of a policy of gradual reform, India had been able to achieve a remarkable level of output growth, surpassing that of the Asian region as a whole. But the picture was disconcerting for most of the developing countries in Latin America and Africa, which faced difficult external situations, shrinking ODA flows and inadequate international assistance.

49. He shared the view that the Uruguay Round Agreements provided new opportunities for developing countries on the one hand, but reduced their policy autonomy on the other; and that some policy options once successfully employed by East Asian countries were no longer viable. He drew attention to the *Report*'s conclusion that the economic success of East Asian countries was based on a mix of policy intervention and market forces which ensured that rapid capital accumulation and technological progress were matched by corresponding progress in export growth and diversification. With regard to the international policy

discussion in the aftermath of the Uruguay Round, he felt that the growing tendency to focus on globalization had diverted government and international organizations from giving adequate attention to country-specific development issues.

50. While recognizing the importance of the promotion by developing countries of South-South cooperation, he expressed concern at protectionist uses of the existing rules of the multilateral trading system, particularly the attempt on the part of some developed countries to introduce new issues not directly related to trade into the WTO agenda. The multilateral trading system would not be best served by an involvement in non-trade issues such as investment, labour standards, competition policy, government procurement, immigration and corruption. In addition, he believed that any further liberalization of international trade should give primacy to the interests of developing countries. Indeed, any arrangement or system that accentuated existing global disparities was to be rejected.

51. The representative of **Norway** congratulated UNCTAD on the innovative way in which the discussions on interdependence and investment had been undertaken during the current session of the Trade and Development Board, with the active involvement of the private sector and the civil society in UNCTAD's work. Stemming from the decisions taken in Midrand, this approach could serve as a model for intergovernmental processes in other United Nations organizations. UNCTAD had been re-established in Midrand as a politically interesting and economically relevant organization which was in charge of key development issues not covered by other United Nations bodies. This new impetus had given UNCTAD a breathing space, but its capacity to implement the decisions taken by Member States must be demonstrated on a continuing basis and the secretariat needed to be assured that it had the support of member States in this endeavour. Questions related to LDCs were of cardinal importance, and his Government would hold UNCTAD accountable for its commitment towards the LDCs. These questions should be dealt with as a cross-cutting issue in UNCTAD's activities.

52. He believed that the Secretary-General of UNCTAD urgently needed to address the improvement of UNCTAD's capacity to link the analysis of integration and globalization with policy implementation, i.e. the sequencing of policy analysis, policy development at the country level and technical assistance. His country was ready to enter into a dialogue with UNCTAD on increased support for technical cooperation activities, provided that activities were focused and the planning procedures agreed upon were set in motion. Restructuring the secretariat should not undermine its technical cooperation activities; they should be pursued on the basis of common guidelines and coordinated in a central unit of the

secretariat. A successful conclusion of the reform process in UNCTAD was of interest to the United Nations system as a whole, and he shared the concern of the Secretary-General of UNCTAD at the insufficient knowledge in New York about the reform process taking place in Geneva-based organizations.

53. As for the issues dealt with under agenda item 3, he considered that both the economics and policies of globalization were complex and the challenge for policy-makers was to weigh the various needs and demands, while ensuring that economic progress was politically and environmentally sustainable, and that it took account of the interests of the whole population.

54. The representative of **China** said that continued publication of the *Trade and Development Report* was essential for understanding and assessing the global economic situation as well as for the fulfilment of the mandates of UNCTAD. While a number of developing countries in the state of backwardness were gradually taking the road to economic revival, the gap between developed and developing countries as a whole was still widening. Most developing countries still suffered from the serious constraints of an unfavourable external environment in their efforts to achieve economic and social development, and were also faced with the danger of being marginalized.

55. He agreed with the assertion in the Report that exports to and investments from developed countries have been an important driving force for the East Asian economic growth, which in recent times had been the most vigorous in the world. Developed countries could intensify these processes, thereby giving a further impetus to economic development of developing countries. However, there was an unfortunate trend towards intensified protectionism in major developed countries, at the very time when developing countries had been further opening up their economies. This trend would harm the interests of developing countries but eventually those of developed countries as well. Only by strengthening exchange and cooperation on the basis of equality and mutual benefits could solutions be found to the new problems.

56. It was imperative that each country formulate policies for economic and social development in accordance with its own national conditions. Differences in the levels of economic development must be recognized so as not to force developing countries to keep rigidly in pace with developed ones in the process of liberalization of trade and investment. In this regard, the legacy of some developing countries in terms of lessons and experiences was far-reaching.

57. The increasingly complicated international relations resulting from globalization of the world economy had resulted in a greater need for

multilateral frameworks. The meeting among the executive heads of the World Bank, IMF and WTO during the recent G-7 Summit was a welcome first step in this direction. He was pleased to note that the South-South Conference on Trade and Finance, to be convened in Costa Rica in January 1997, would attract attention to the importance of South-South cooperation, and would formulate new strategies and programmes of action.

58. By continuing its policy of reform and opening its economy to the outside world, China had maintained an excellent economic growth rate, which was expected to reach 10 per cent in 1996; and inflation was expected to be under 10 per cent. This year had also witnessed the launching of the ninth "Five-Year Plan" and the long-term objective outline for the year 2010. Goals included quadrupling the average per capita GNP of 1980 by the year 2000, doubling the GNP of the latter year by the year 2010, and evolving a more perfect socialist market economy. But although China's efforts in the coming 15 years further might enhance the country's overall strength, it would still remain a developing country. China was ready to join other countries in common efforts to achieve economic development and to contribute to the promotion of peace, stability and development.

59. The spokesman for the **African Group** (Morocco) said that it was difficult to be optimistic about the possibilities for the African continent to achieve economic and social development, given the negative net external financial flows experienced by the region. The slight improvement in commodity prices in 1995 had been largely offset by two interdependent factors: lack of access to international capital markets and high debt-service payments. These two problems had been compounded by unstable foreign-exchange markets. Describing selected external and internal features of Africa's economic situation, he said that the share of African countries in world production and trade continued to decline. In addition to problems linked to instability and weather conditions, the economic situation in many African countries had been affected by poor productivity, difficulties in management, failure to diversify exports, and vulnerability to the international economic environment. Moreover, Africa's share of FDI remained small and bold measures had yet to be taken to deal with the debt problem of African countries. The recent initiative on debt was most welcome, but he regretted that it had not been possible to reach a consensus on its financing. He was convinced of the necessity and urgency of bolder measures to solve the debt problem, which constituted a major obstacle to development in many African countries.

60. The African Group was interested in the conclusion of the *Trade and Development Report* that major features of the East Asian development model could

be replicated in other countries provided that the North did not close its markets. South-South cooperation could help to compensate for the lack of access to export markets in the North and for the slow growth of the developing countries. Every effort should be made to help African countries to draw lessons from the East Asian development experience - a task for which UNCTAD was fully qualified.

61. The representative of **Ethiopia** commended the extensive coverage of the debt issue in the *Trade and Development Report* and thanked UNCTAD for technical assistance provided in debt negotiations and with respect to the installation of debt-management software. He welcomed also the ongoing efforts of IMF and World Bank to formulate a solution for the debt burden of the heavily indebted poor countries, including Ethiopia, as well as the United Nations Special Initiative for Africa, which was governed by the principle that African countries had the primary responsibility for reversing poverty. Noting that the analysis presented in the *Trade and Development Report* of the lessons of the East Asian experience had given extensive coverage to the role of manufacturing, he pointed out that the transformation of the agricultural sector during the early stage of economic development in Japan also offered important lessons for Africa generally, and in particular for Ethiopia, which was an overwhelmingly agrarian country.

62. In his view, the main obstacle to faster economic growth in Africa was a supply-side constraint. Upgrading physical infrastructure and developing human resources were important measures for relieving this supply-side constraint - measures in which UNCTAD could play a vital role. Despite the progress of globalization, external financing remained a critical constraint for the LDCs. Thus significant improvements in the flow of investment and other resources should be accorded the utmost importance. This was another area in which UNCTAD had a role to play.

63. The representative of **Belarus** said that the creation of an environment conducive to growth and sustainable development should take place primarily at the country level, in line with the Midrand idea that countries should bear the main responsibility for their own development. However, as interdependence increased, internal economic processes were more and more affected by external conditions. Thus the creation of an external environment conducive to growth and development was central to the agenda of the world community, including international organizations such as UNCTAD.

64. The *Trade and Development Report 1996* showed that the world economy was growing unevenly. Some countries were achieving considerable success in their

development, while others were still searching for a way out of their crises. Belarus belonged to the latter group. The recent "Programme of Belarus for Social and Economic Development up to Year 2000" took account of both positive and negative aspects of the current economic situation and outlined ways to overcome current difficulties. The country's economic stabilization measures were already bearing fruit: the economic decline was bottoming out and inflation rates had sharply decreased. It was now the Government's intention to develop modern exports on the basis of attractive investment policies. The country also intended to join the multilateral trade arrangements.

65. Although he was of the view that the development experience of East Asian newly industrialized countries could not really be replicated, he felt that many useful lessons for other countries could be drawn from their experience. Thus Belarus was especially interested in the successful experience of the first-tier Asian countries in developing science-intensive production and in improving the efficiency of their production in terms of energy and materials. His own country still had to overcome many difficulties related to lack of natural resources, to the necessity to downsize material and energy production, to the need to attract foreign investment, and to factors that were hampering the efforts to reduce unemployment.

66. The representative of **Switzerland** commented favourably on the quality of this year's *Trade and Development Report*, although he objected to the inclusion of such subjects as the debt of developing countries which had been de-emphasized among the new priorities for UNCTAD agreed at UNCTAD IX. Moreover, he disagreed with the analysis that weak growth and high unemployment in Europe were due to tight fiscal policies, the effects of which should be compensated by a less restrictive monetary policy. The Swiss authorities were convinced that only a healthy fiscal and monetary policy would be able to guarantee the macroeconomic stability that was the basis of durable growth. Europe's unemployment problem was due to structural rigidities in the labour market, which retarded the adjustment of European economies to globalization. Labour market reform in the direction of greater flexibility would thus be more appropriate in solving Europe's unemployment problem.

67. Turning to the question of whether the industrialization experience and rapid development of East Asia could be a model for other developing countries, he noted that the Report had shown the positive role of exports in the development of East Asian countries. Export earnings had constituted an important source of finance for investment in the development of productive capacities. Trade liberalization as a result of the Uruguay Round was essential in improving developing countries' access to the markets of both industrialized

and other developing countries. Liberalization should encourage some countries to apply the positive experience of Asian countries and to open their markets.

68. He was convinced that the laws of the market would automatically determine victory in competition for products and export markets, and that this process would benefit developing countries. Consequently, the proposal to establish in UNCTAD a marketing and information service to orient developing countries towards promising markets was not very sound. In his view, the role of governments was to create a stable macroeconomic and political environment, to put in place a competent and effective administration, and to create a juridical framework that favoured private investment and guaranteed the maximum development of human resources. The example of East Asian countries had demonstrated the validity of this concept.

69. The representative of **Japan** expressed his appreciation for UNCTAD's initiative in taking up the lessons of the East Asian development experience. His Government had supported, and would continue to support, UNCTAD's efforts to explore the applicability of East Asian experiences to other regions, particularly to Africa where many LDCs had been marginalized in the process of the globalization.

70. He drew attention to two major points made in the *Trade and Development Report*. Firstly, developing countries were not necessarily placed in a more disadvantageous position in the post-Uruguay Round period than before. While some policy options that had been available to East Asian countries were no longer compatible with current international rules, developing countries, particularly the LDCs, had been granted the benefit of a longer transitional period. Furthermore, new opportunities for these countries had also been provided by the Uruguay Round. The second important point concerned the role of the first-tier newly industrializing countries. By providing markets and investment to the second-tier economies, they had promoted not only South-South cooperation but also regional dynamism in East Asia. This could provide lessons for other regions.

71. Aspects of East Asian development experiences identified by UNCTAD and still valid included the following: firstly, domestic saving could be developed by postal savings and cooperative savings in a country where the financial sector was not highly developed; secondly, the Government could utilize these savings for investment in the industries of the future; thirdly, the Government could play an important role in the building of human and institutional capacity; fourthly, the proper relationship between the public and private sectors involved both cooperation and discipline; fifthly, the large increase in inflows of FDI

in East Asian countries had resulted from effective policy management, including the relaxation of foreign exchange controls and the promotion of transparency regarding investment rules; and sixthly, the improvement of local infrastructure should receive particular attention by the local government - a policy which would be supported by Japanese ODA. In applying the lessons of East Asian experiences to other regions where institutional structures remained underdeveloped, Governments should take a gradual approach involving initially the dissemination of information, vocational training and industrial technology enhancement rather than highly complex policies providing incentives to particular economic activities.

72. The representative of the **Islamic Republic of Iran** expressed concern that the *Trade and Development Report*'s forecast of slow world economic growth reflected the effects of the unequal access of developing countries to external lending and FDI. However, these countries had made great efforts to adjust to meet the new challenges, performing especially impressively in international trade. Although the UNCTAD secretariat had dealt with the subject of East Asian development twice in the *Trade and Development Report*, there was still a need for concrete analysis of the historical and socio-economic context in which the models pursued by countries in that region had evolved. While some elements of the experience could be used by other developing countries, adjustments would be required, especially owing to the fact that the new multilateral rules left developing countries with less scope to support potentially viable new industries.

73. UNCTAD's debt support programmes needed to be dynamic and flexible and its technical cooperation activities deserved support. The scope of UNCTAD's discussion on investment issues should be expanded. The savings resulting from the restructuring of UNCTAD could be recycled into technical cooperation which should also cover the social aspects of economic policy. The latter subject could be included in a future *Trade and Development Report*.

74. The representative of **Indonesia** said that, for more than two decades, the East Asian countries, including Indonesia, had enjoyed unprecedented rates of economic growth. A combination of favourable developments and sustained domestic policy reforms had enabled the countries of this region to record a strong growth performance in recent years. The end of the recession in the industrial countries had favourably influenced exports from the region, which had also received a considerable inflow of foreign direct investment and other external financial flows, although these had remained concentrated in a few countries. Most countries in the region were committed to liberalization and deregulation. However, their remarkable achievement could not be attributed to a single model

of economic development, but reflected the pragmatic response of policy-makers to specific sets of problems. Nevertheless, there were a number of common features: all were market economies that encouraged private entrepreneurship; all had adopted a strategy of export-oriented industrialization coupled with prudent macroeconomic policies; and all had benefited from a situation of relative peace and stability in the Asia-Pacific region.

75. Indonesia's experience illustrated the region's rapid transition from an economy where, just over a quarter of a century ago, 60 per cent of its population had been classified as poor to one where an annual average growth of 7 per cent had been sustained over two decades, and where the incidence of absolute poverty now affected less than 14 per cent of the total population. Yet Indonesia's development agenda was in no way complete. Higher growth was rapidly creating a stronger market economy. At the same time the country had reached a particularly difficult stage of development which would require significant forbearance and support from its development partners. Clearly the challenge for developing economies in East Asia was to sustain the dynamism achieved over two decades. It was a formidable challenge which could none the less be met by recourse to the same strategies that had brought about economic dynamism in the first place.

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DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-THIRD SESSION

Rapporteur: Mrs. Violeta Fonseca de Sanabria (Venezuela)

AGENDA ITEM 3 (continued)

Speakers: Organization of African Unity
Sri Lanka
Mexico
Thailand
Republic of Korea
Russian Federation
Cuba
Canada
Australia
International Monetary Fund
ICFTU
Third World Network

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

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Chapter II

INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: RETHINKING DEVELOPMENT STRATEGIES; SOME LESSONS FROM EAST ASIAN DEVELOPMENT EXPERIENCE

(Agenda item 3)

(continued)

76. The representative of the **Organization of African Unity** noted from this year's *Trade and Development Report* that annual GDP growth in Africa was now at a rate of about 3 per cent, an outcome accompanied by an improvement in commodity prices but also by a continued decline in both official and private capital inflows. He was alarmed to find, however, that African countries which performed well would need to sustain their current rate of growth for more than a decade in order to restore real per capita incomes to their levels of 20 years ago. This was a highly unsatisfactory situation which called for a new generation of structural adjustment programmes to address the strategic issues of African development including infrastructure, institutional capacity-building and related supply-side matters, diversification, regional cooperation and market development.

77. There were two main lessons from the East Asian experience for generating and accelerating growth in Africa. One concerned the diversification and processing of natural resource-based products in line with the experience of the resource-rich "second-tier" newly industrializing economies of East Asia, and the other concerned the dynamism of a market-driven approach to regional cooperation, where trade and investment served as vehicles for transferring new goods and technology among countries.

78. He considered the Treaty Establishing the African Economic Community, which had come into force in 1994, to be an appropriate framework in which member countries could adopt new orientations for their economic policies and new modes of cooperation. There was also a need for further attention to be paid to Africa's external financial constraints. The consensus on the need for concerted action here, which was reflected in the recent announcement of a new debt reduction initiative by the World Bank and IMF should be extended to include action to stimulate investment flows. In view of the acute external financial constraints and low levels of domestic savings in most African countries, there was a pressing need to improve their capacity to attract foreign investment, in the process drawing investors' attention to the considerable opportunities

existing in all major economic sectors, namely natural resources, agro-industry, other manufacturing, tourism, other services, and infrastructure. He urged member States to participate fully in the Working Party on a Multilateral Investment Treaty that was expected to be established at the WTO Ministerial Meeting in Singapore with a view to securing consensus on the special investment needs of Africa.

79. The representative of **Sri Lanka** said that interdependence was no longer an article of faith for developing countries only, for the fundamental changes taking place in terms of inter-penetration of national economies, the emergence of multi-polar economic centres of power and the new technological revolution would further strengthen interdependence. However, too little attention was being paid to its implications for the deep-seated problem of poverty. The international community had been preoccupied with the macroeconomic aspects of economic growth on the assumption that this would trickle down to the poor. But this trickle-down process had not worked satisfactorily. An underlying cause of the development crisis was the contraction in external financing and the deterioration of the external environment. Inappropriate policies of debtor countries might have contributed to the debt crisis but the resulting drop in investment and capacity had created imbalances in the trading system and put the entire financial system under great stress. A comprehensive approach to this problem was required.

80. East Asian experience had shown that modernization of traditional technologies combined with economic reforms to raise the productivity of the informal sector could encourage the passage to a free market economy. But in linking rural areas to the modern sector it was necessary to go beyond the conventional approach. It was the pursuit of sound economic policies that had enabled the countries of East Asia to register investment rates in the range of 30 to 35 per cent of GDP and double-digit annual rates of economic growth. High growth, in turn, meant high levels of employment, a sharp reduction in poverty, and substantial budgetary resources to invest in education and health, and in needed infrastructure. The private sector was the principal engine of growth, State intervention being limited to areas where the market failed to function.

81. While the East Asian economies pursued policies geared to economic self-reliance, they had also benefited from expanding markets. With the stagflation of the 1970s, these markets had lost their buoyancy but they still offered significant opportunities for emergent second-tier newly industrializing economies in East Asia. Subsequently, the international economic and trading environment had made it more difficult for small countries like Sri Lanka to emulate the export-oriented growth experience of East Asia. Consequently,

regional economic cooperation was vital if Sri Lanka was to achieve rapid economic growth.

82. The representative of **Mexico** said that, in the wake of UNCTAD IX, it was clear that a new global strategy for development was now required, taking into account the growing trend towards imbalances and inequalities in both the national and the international arenas. Globalization and liberalization did not constitute *per se* a comprehensive recipe for development problems, and they should be further analysed in order to pave the way for coordinated policy actions in fields such as trade, technology, and poverty.

83. The lessons to be drawn from the East Asian experience deserved further reflection, in view of the fact that nowadays many of the exogenous and endogenous factors which had made possible these countries' rapid development were no longer present. The Uruguay Round Agreements now forbade many interventionist policies applied successfully in East Asia. Moreover, saving and investment rates in most developing countries were far from the record levels achieved in that region, probably owing to deeply embedded cultural characteristics and to countries' specific peculiarities. Full allowance should be made for such differences in drawing lessons from the East Asian experience for policies elsewhere. These remarks were in no way intended to denigrate the *Trade and Development Report*, whose analysis of successful development experiences in East Asia was probably useful for less advanced countries in the same continent. But it would be of great interest for Latin American and Caribbean countries if a new study were undertaken by UNCTAD, focusing on successful development experiences in their region. Finally, it should be stressed that, if development in the South were to be export-led, market access in the North had to improve, especially in the area of phasing out non-tariff barriers.

84. The representative of **Thailand** expressed concern at the increasing disparity within the international community. Although the Uruguay Round Agreements had marked a turning point for the international trading system, not all countries were benefiting from the process of globalization and liberalization and there was a risk of further marginalization of some countries. At the same time, he was encouraged by the improved growth performance of some developing countries and their increased dynamism in world trade, but the problem now was how to sustain this performance and to include all developing countries in it. Drawing on the lessons from the experience of East Asian countries was helpful in this regard. The *Trade and Development Report* rightly observed that government intervention and market forces were complementing each other in these countries. But, as in all success stories, there had been mistakes from which

one could learn as well. In particular, developing countries needed to look at the qualitative aspect of development, rather than confining their attention to quantitative economic growth. Policies to alleviate poverty, environmental protection, and measures to ensure an equitable income distribution and the development of human resources were required to sustain economic progress. In this regard, he drew attention to the priorities in his country's Eighth National Plan. However, domestic action and policies were not sufficient to sustain his country's economic performance, and regional economic cooperation was imperative to enable it to compete in an increasingly competitive world. The ASEAN free trade area was scheduled to be implemented by the year 2003. This would unleash the potential of its member countries and stimulate the comparative advantage of South-East Asia. Moreover, the ASEAN countries were trying to encourage other countries in the region to participate in the region's dynamic development through infrastructural linkages and subregional cooperation activities.

85. The representative of the **Republic of Korea** identified the following crucial components of the East Asian development experience: political and economic stability, which could only be fully ensured by sound domestic governance; an export orientation with export promotion; capital accumulation financed both domestically and from abroad; the upgrading and importation of new technology and the development of overseas marketing skills; balanced enterprise development; and human resource development, at the level of both skilled workers and advanced education. Trade and investment constituted the cornerstone of all efforts towards sustainable development. He agreed with the analysis in the *Trade and Development Report* that in most East Asian countries the State provided a necessary complement to, and sometimes corrective influence on, the market. In the Republic of Korea, the impetus for development had been generated internally, but the attraction of FDI as a remarkably effective instrument for providing the basic necessities of economic development should also be recognized. FDI provided a package which included the transfer of technology, the promotion of production and managerial skills, manpower training and trade promotion. However, as stated in the *Report*, domestic technological capabilities should be complemented by a selective approach to FDI.

86. The scope for pursuing export-oriented policies had been broadened by recent changes in the world economic environment. Globalization and liberalization, technological advances, mobility of factors of production, and economies of scale all provided potential sources of growth from such policies, while the conclusion of the Uruguay Round had increased security of access for exports. But globalization also threatened to increase the marginalization of some developing countries. Experience sharing among developing countries should be encouraged in order to promote inclusion of all countries in these benefits,

and the Republic of Korea would continue to assist developing countries to that end.

87. The representative of the **Russian Federation**, expressing his support for UNCTAD's more active involvement in the issues of globalization and liberalization, attributed special importance to activities designed to overcome the threat of marginalization of the LDCs and to facilitate deeper integration of transition economies into the world economy. Liberalization and globalization were causing international trade to become an increasingly important factor in economic growth, the full potential of which could be realized only through improved access to markets, if necessary by overcoming protectionist barriers. The openness of the Russian economy enabled all trading partners to participate on an equal footing. However, the residual discriminatory elements in the trade policies of major trading nations vis-à-vis economies in transition were still a matter of concern and seemed inadmissible in a world characterized by liberalization and globalization. Recalling that General Assembly resolution 50/795 had underlined the importance of the full integration of transition economies into the world economy, he argued that this process should be accompanied by a widening of UNCTAD's mandate in the field of technical assistance to these countries, which would cover, *inter alia*, their accession to WTO.

88. The Russian Federation was in the process of creating a competitive market economy. Its policies of macroeconomic stabilization and the creation of conditions for growth were starting to bear fruit. Thus the monthly rate of inflation had decreased to 1.9 per cent, while the decline of industrial production had bottomed out. There were also signs of growth in real incomes, and further strengthening of the legal system was taking place. The annual growth of foreign trade had reached 10 per cent against a backdrop of the abolition of export tariffs and licensing. Import tariffs were the country's only remaining instrument for regulating trade. An important indicator for the economy's openness - the share of imports in retail trade - had surpassed 50 per cent. The Russian Federation was currently pursuing freer trading relations with other CIS countries, and wished to develop its trade with ASEAN.

89. He agreed with the balanced analysis in the *Trade and Development Report* of the potential role of the State in redressing the failures and excesses of market mechanisms. The East Asian development paradigm was compatible with market forces but not driven by them. The growth of the countries in the region also pointed to the role which could be played by regional cooperation. Countries like the Russian Federation had much to learn from East Asian examples of government policies for fostering industrialization, attracting FDI,

transferring technology, and encouraging the development of an entrepreneurial class. At the same time, he would have liked to see more discussion in the *Report* of the relation of the East Asian experience to globalization, liberalization and interdependence, and of the applicability of the East Asian model in the aftermath of the Uruguay Round, as a counter-balance to the detailed analysis of the past successes in this region. In its further work on this issue, UNCTAD should take account of the practical needs of its constituents.

90. The representative of **Cuba** cautioned against any under-estimation of the specific circumstances and factors faced by policy-makers in different countries. Many of the findings in the Trade and Development Report left little room for optimism. World economic growth was slow, with no comprehensive structural solution in sight, and the external debt of developing countries continued to mount. ODA and credit flows to the developing world were much lower than 15 years ago, although population had doubled in the meantime. The economic miracles forecast in the 1980s by neo-liberal economists were nowhere to be seen, and the concentration of wealth and the North-South divide remained extreme.

91. The Cuban economy, in spite of daunting obstacles, was experiencing a recovery as a result of the implementation of structural reforms. After the serious crisis caused by the collapse of Cuba's major trade partners, which had led to a fall in GDP of 34 per cent between 1989 and 1993, the economy had started to grow again in 1994. GDP growth had been 2.5 per cent in 1995, and 9.6 per cent in the first half of 1996. The budget deficit was expected to be contained at 2.5 per cent of GDP, and the Cuban peso had recently strengthened. Most agricultural enterprises had been transformed into cooperatives. A million tourists were expected to visit the country in 1996, and foreign exchange receipts from tourism would amount to almost 40 per cent of the total of such receipts. These results had been achieved in the absence of mass unemployment or cuts to basic social services.

92. The promotion of foreign investment constituted a central tenet of the Cuban reform strategy. Eighteen reciprocal international investment agreements had been reached so far, and another 25 were being studied or negotiated. New measures providing incentives for the development of free economic zones and industrial parks were being implemented. Twelve foreign banks and 660 foreign businesses were now active in Cuba. However, Cuba was aware that its situation was still difficult. The United States of America had recently enacted the Helms-Burton law in order to stem the growing flow of foreign investment into Cuba. This was a clear example of unilateralism and an attempt to impose extraterritorial jurisdiction. The international community had severely condemned this law, which constituted a challenge to the multilateral trade

system and was incompatible with several Articles of the WTO Agreement.

93. representative of **Canada** expressed considerable interest in the discussion of the East Asian development experience in the *Trade and Development Report*, but thought that the particular circumstances of countries would require variation in the policy formulas appropriate to their development. Nevertheless there were common elements in the experiences of recently successful countries, such as a stable macroeconomic environment, a proper legal framework, good governance, and emphasis on trade. She felt that the *Report* still placed excessive emphasis on issues that were not central to those areas where UNCTAD could have a significant development impact. While this might be due to the fact that UNCTAD IX had been held fairly recently so that some of the analyses in the Report had predated the Conference, she was looking forward to seeing the more focused approach of the agenda agreed at UNCTAD IX reflected in next year's *Trade and Development Report*.

94. The representative of **Australia** complimented the secretariat on its analysis of factors contributing to dynamic growth in East Asia and noted that the *Trade and Development Report 1996* pointed to the important role in the growth of economies in the region played by the rapid expansion of exports of labour-intensive manufactures to major developed countries. She felt that replication of such a strategy would be difficult for Pacific island and other developing countries lacking a developed manufacturing base, and the promotion of other commodities for export, selected on the basis of comparative advantage, might be more an appropriate to their development strategy. Mutually reinforcing regional trade and investment linkages, a subject to which the *Report* perhaps gave insufficient attention, featured prominently in the successful growth of East Asian countries, but it had to be asked whether these factors too could be replicated elsewhere. It was necessary to consider also non-economic factors that had an important bearing upon the success or failure of development strategies. Prevailing social conditions, for example, were also of critical importance, as was the degree to which basic needs were met by the government in the areas of health, education, water supply, sanitation and housing. Other studies, such as the World Bank's *East Asian Miracle*, had emphasized the considerable public investment made by East Asian countries in health and education, which was critical in building a strong base of human resources.

95. The representative of the **International Monetary Fund** said there had recently been substantial progress regarding global stability and growth. World economic and financial conditions were generally satisfactory, and the outlook was favourable. Many industrial countries had come close to achieving effective price stability. In developing countries there had been a continuation of solid

growth, albeit unevenly distributed across regions. Africa's performance was encouraging, with growth in 1996 and 1997 at the highest levels in two decades. In the transition economies, activity was projected to stabilize in 1996 after five years of decline. The volume of world trade continued to expand, while trade and financial liberalization were progressing. There had also been a rebound of private capital flows to developing countries, and the exchange rates of the major currencies had been brought more closely in line with economic fundamentals.

96. After commending the discussion in the *Trade and Development Report* of the external debt situation of developing countries, he gave an updated review of the initiative under way in IMF and the World Bank regarding the situation of heavily indebted poor countries. The Interim and the Development Committees had fully endorsed the proposals of the Managing Director of IMF and the President of the World Bank, and had urged the two institutions to implement them quickly. The proposals set out the role to be played by the different actors - the debtor countries, the bilateral creditors of the Paris Club as well as non-Paris-Club countries, commercial creditors, and multilateral creditors including the Fund and the Bank.

97. Referring to the discussion in the *Report* of factors affecting international capital flows and of policies in this area, he said that, while exchange controls in such forms as restrictions on credit operations between residents and non-residents and on non-residents' access to domestic financial markets could have an impact on the overall volume of capital movements as well as on the allocation of capital between portfolio and direct investment, UNCTAD seemed none the less to over-estimate the usefulness of such measures in containing capital inflows. It was not obvious that such controls had succeeded in containing liquidity growth. In any case, appropriate policy adjustments should play a central role in supporting the temporary use of controls. While portfolio investments by non-residents had risen rapidly in many countries, these might prove highly volatile. It would be of interest to identify the role of macroeconomic factors in explaining these flows, and in determining the likelihood of their reversal. Capital inflows might also increase the burden on the domestic banking system, resulting in greater fragility and thus giving rise to the need for strengthening the regulatory framework for banks. Issues regarding policies towards the capital account were of increasing interest to several international bodies. The IMF would continue its analysis of capital flows and examine possible changes in the Fund's Articles.

98. The representative of the **International Confederation of Free Trade Unions** (ICFTU) said that in the discussion of the successful development experience of

East Asian countries so far the framework of economic policy had received much attention but the institutional and socio-political factors affecting the responsiveness of economic agents to government policies and incentives had been neglected. The effectiveness of economic policies depended also on the interaction between government and THE civil society and variation in this effectiveness among countries reflected differences in their stages of development and social structures. This was why structural adjustment programmes in Africa and elsewhere had fallen short of expectations. The programmes had been based on the incorrect assumption that developed markets already existed in these low-income countries.

99. In some East Asian countries democracy had come late, and there had been repression of basic human and trade union rights. While such authoritarianism on the political front should not be replicated in other developing countries, the East Asian experience did show the positive role which governments could play in development by providing not only a good macroeconomic environment but also policies giving appropriate importance to agriculture and basic social services, as well as to the establishment of effective and secure financial systems. In these countries, education and training had contributed to enhancing the productivity of investment, facilitating the transfer of advanced foreign technologies, and the building-up of an efficient administration. Stability was a major precondition for long-term investment of any kind, but such stability should be achieved through democracy, which provided more reliable safeguards of accountability, responsibility, and concern for people's welfare. A more equal income distribution could also contribute to faster growth. If FDI was to generate lasting benefits, it was necessary to link it as closely as possible to the domestic economy. In the design of appropriate development strategies it was necessary to take account not only of country-specific conditions but also of the fact that the international economic environment today was different from that of 30 years ago.

100. The representative of the **Third World Network** largely agreed with the overall thrust and conclusions of the analysis of the East Asian development experience and its applicability to other countries in the *Trade and Development Report*, but doubted whether developing countries possessed adequate policy autonomy in the post-Uruguay Round era to take advantage of the benefits of globalization for effective development. In this regard, assessments of the outcome of the Uruguay Round at a recent seminar organized by the Third World Network had indicated that the WTO Agreement was unbalanced and asymmetric in that the benefits for developing countries of the new trade order were still uncertain, while the costs were immediate. Globalization was seen by the public as generating increased wealth for a limited number of people in a small number

of countries and marginalization for the vast majority in both developed and developing countries. This was creating very large - and politically and socially unacceptable - inequities within societies and among countries. Globalization could offer benefits to countries which integrated into the world economy, but only if the asymmetry of the rules of the game in the areas of trade, money and finance was rectified. UNCTAD was best positioned to provide an objective analysis of the impact of globalization, given its focus on economic development.

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Forty-third session
Geneva, 7 October 1996

DRAFT REPORT OF THE TRADE AND DEVELOPMENT BOARD ON ITS FORTY-THIRD SESSION

Rapporteur: Mrs. Violeta Fonseca de Sanabria (Venezuela)

AGENDA ITEM 8 AND PROCEDURAL AND ORGANIZATIONAL MATTERS

Speaker: Vice-Chairman of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO (Uruguay)

Note for Delegations

This draft report is a provisional text circulated for clearance by delegations.

Requests for amendments - to be submitted in English or French - should be communicated by **Friday, 25 October 1996, at the latest** to:

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Chapter III

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

(a) Progressive development of the law of international trade: twenty-ninth annual report of the United Nations Commission on International Trade Law

1. For its consideration of sub-item 8 (a), the Board had before it the report of the United Nations Commission on International Trade Law on the work of its twenty-ninth session, held in New York from 28 May to 14 June 1996 (A/51/17), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/43/3).

Action by the Board

2. At its 880th meeting, on 16 October 1996, the Board took note of the report of the United Nations Commission on International Trade Law on the work of its twenty-ninth session (A/51/17).

(b) Report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session

3. For its consideration of sub-item 8 (b), the Board had before it the report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session, held in Geneva from 15 to 19 April 1996 (ITC/AG(XXIX)/157), which had been circulated to the Board under cover of a note by the UNCTAD secretariat (TD/B/43/4).

4. Introducing the report, the **Vice-Chairman of the Joint Advisory Group** (Uruguay) stated that the Group had vigorously reaffirmed the relevance and importance of ITC's mandate in today's trade environment and fully supported the Executive Director's continuing efforts to improve the efficiency of the organization, particularly through institutional reform and closer relations with its parent bodies. Appreciation had been expressed for ITC's technical cooperation activities in 1995 which were judged to be pragmatic, result-oriented and responding to the countries; needs and potential for trade promotion and export development. The Group had also welcomed ITC's initiative to develop a mission statement and expressed its full support for the formulation of ITC's strategy, core services, values and modus operandi. It had also noted ITC's

contribution to the United Nations Medium-term Plan for the period 1998-2001. Recalling its endorsement of the proposal for setting up a Global Trust Fund at its twenty-eighth session, the Group expressed its satisfaction at the establishment of the Global Trust Fund and the effective functioning of its Consultative Committee.

5. Finally, he reported that, as was the practice each year, government representatives had announced at the twenty-ninth session confirmed or possible voluntary contributions to ITC. On behalf of the Group, he expressed gratitude to the Governments of Canada, China, Denmark, Finland, Germany, India, Japan, Netherlands, Norway, Sweden and Switzerland for this support.

Action by the Board

6. At its 880th meeting, on 16 October 1996, the Board took note of the report of the Joint Advisory Group on the International Trade Centre UNCTAD/WTO on its twenty-ninth session (ITC/AG(XXIX)/157).

Chapter IV

PROCEDURAL, INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

A. Opening of the session

1. The forty-third session of the Trade and Development Board was opened on 7 October 1996 by Mr. William Rossier (Switzerland), the out-going President of the Board.

B. Election of officers [1]

(Agenda item 1 (a))

2. At its 875th (opening) plenary meeting, on 7 October 1996, the Board elected by acclamation Mr. Patrick Sinyinza (Zambia) to act as President of the Board for the duration of its forty-third session.

3. Also at its opening plenary meeting the Board completed the election of officers to serve on the Bureau of the Board throughout its forty-third session by electing 10 Vice-Presidents and the Rapporteur. Accordingly, the elected Bureau was as follows:

President:	Mr. Patrick Sinyinza	(Zambia)
Vice-Presidents:	Mr. Anton Bebler	(Slovenia)
	Mr. Krit Garnjana-Goonchorn	(Thailand)
	Mrs. Arundhati Ghose	(India)
	Mr. Peter R. Jenkins	(United Kingdom)
	Mr. Andrei Kolossovsky	(Russian Federation)
	Mr. Alexander A. Kravetz	(El Salvador)
	Mr. Björn Skogmo	(Norway)
	Mr. Daniel L. Spiegel	(United States of America)
	Mr. Fisseha Yimer Aboye	(Ethiopia)
	Mr. Jun Yokota	(Japan)
Rapporteur:	Mrs. Violeta Fonseca de Sanabria	(Venezuela)

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[1] The officers of the Bureau are elected to serve for the year-long period beginning with the forty-third session of the Board.

4. In accordance with past practice, the Board agreed that the regional coordinators and China, as well as the Chairmen of the Sessional Committees, would be fully associated with the work of the Bureau.

C. Adoption of the agenda and organization of the work of the session

(Agenda item 1 (b))

5. At its opening meeting, the Board adopted the annotated provisional agenda for the session contained in TD/B/43/1 and Add.1.

6. At the same meeting, in accordance with the organization of work for the session in TD/B/43/1/Add.2, the Board established two sessional committees: Sessional Committee I to consider and report on items on its agenda, as follows:

Sessional Committee I:

Item 4: Programme of Action for the Least Developed Countries for the 1990s:

(a) Review of implementation of the Programme of Action for the LDCs for the 1990s;

(b) UNCTAD's contribution to the work of relevant international organizations in the implementation of the Uruguay Round Final Act Decision on Measures in Favour of the Least Developed Countries by assisting the LDCs that are WTO members to take maximum advantage of the special and differential measures provided for in the Uruguay Round Agreements

Item 5: UNCTAD's contribution to the implementation of the United Nations New Agenda for the Development of Africa in the 1990s and the role of UNCTAD in the implementation of the United Nations System-wide Special Initiative on Africa

Sessional Committee II:

Item 6: Review of technical cooperation activities of UNCTAD

Item 7: Matters requiring action by the Board in follow-up to the ninth session of the Conference and arising from or related to reports and activities of its subsidiary and other bodies:

(a) Report of the Secretary-General of UNCTAD on preparations for a meeting with actors in development; [2/]

(b) Improving the participation of developing countries' experts in UNCTAD meetings, including the question of financing their participation

Item 10: Other business

- UNCTAD's publication policy

- Issue of coordination and cooperation between UNCTAD and relevant international organizations

Sessional Committee I

7. At its 1st meeting, Sessional Committee I elected the following officers to serve on its Bureau:

Chairman: Mr. Bozorgmehr Ziaran (Islamic Republic of Iran)

Vice-Chairman-cum-Rapporteur: Mr. Rénald Clérismé (Haiti)

Sessional Committee II

8. At its 1st meeting, Sessional Committee II elected the following officers to serve on its Bureau:

Chairman: Mr. Markus Kummer (Switzerland)

Vice-Chairman-cum-Rapporteur: Mr. Petko Baev (Bulgaria)

9. At the same meeting, Sessional Committee II, acting upon the recommendation made by the Bureau of the Board at its pre-sessional meeting on 4 October 1996, agreed that consideration of agenda item 7 (a) (i.e. Report of the Secretary-General of UNCTAD on preparations for a meeting with actors in development) should be postponed until a later date, in order to allow for adequate preparation of this item by the secretariat.

[2/] In connection with sub-item 7 (a), see also para. 8 below.

10. At its ... (closing) plenary meeting, on 18 October 1996, the Board took note of the reports of Sessional Committee I (TD/B/43/SC.1/L.1 and Add.1-2) and Sessional Committee II (TD/B/43/SC.2/L.1 and Add.1) and decided to incorporate them in the final report of the Board on its forty-third session.

D. Adoption of the report on credentials

(Agenda item 1 (c))

[To be completed as appropriate]

E. Provisional agenda for the forty-fourth session of the Board

(Agenda item 1 (d))

[To be completed as appropriate]

F. Institutional, organizational, administrative and related matters

(Agenda item 9)

(a) Review of the lists of States annexed to General Assembly resolution 1995 (XIX)

[To be completed as appropriate]

(b) Designation of intergovernmental bodies for the purposes of rule 76 of the rules of procedure of the Board

11. At its 880th plenary meeting, on 16 October 1996, the Board took note that there were no new applications from intergovernmental organizations. The Board also took note that, following the entry into force of the Grains Trade Convention, the International Wheat Council, which had been granted status by the Board at its second session, had changed its name to the International Grains Council.

(c) Designation and classification of non-governmental organizations for the purposes of rule 77 of the rules of procedure of the Board

12. Also at its 880th plenary meeting, the Board approved the applications of seven non-governmental organizations for designation under rule 77 of the rules of procedure of the Board and decided, in accordance with the recommendations of the Secretary-General of UNCTAD (TD/B/43/R.1) and of the Bureau, to classify them in
accordance with paragraphs 12 (a) and 12 (b) of Board decision 43 (VII) as follows:

General category: World Wide Fund for Nature International (WWF) (TD/B/43/R.1/Add.2); International Council on Social Welfare (ICSW) (TD/B/43/R.1/Add.3); World Vision International (WVI) (TD/B/43/R.1/Add.4); World Trade Centers Association (WTCA) (TD/B/43/R.1/Add.5); Institute for Scientific Cooperation with Developing Countries (ISICODEC) (TD/B/43/R.1/Add.6) and Global Traders Conference (GTC) (TD/B/43/R.1/Add.7).

Special category: European Sea Ports Organisation (ESPO) (TD/B/43/R.1/Add.1) so that it may participate in the work of the Commission on Trade in Goods and Services, and Commodities.

13. The Board was informed that the above documents had been derestricted.

14. The Board also took note that, following consultation with the member State concerned (Belgium), the Secretary-General of UNCTAD had included the National Centre for Overseas Development (NCOS) in the Register of national non-governmental organizations provided for under Board decision 43 (VII), sections III and IV. Background information on the organization was before the Board in TD/B/43/L.1.

15. The Board further took note that, in order to bring the classification of non-governmental organizations in the special category into line with the new intergovernmental machinery of UNCTAD, the Secretary-General of UNCTAD would carry out consultations with the organizations concerned to ascertain their wishes regarding their future association with UNCTAD, including their participation in the work of the new Commissions, and would report to the Board at an executive session.

16. The Board also noted that the Economic and Social Council, at its most recent session, had adopted resolution 1996/31 entitled "Consultative relationship between the United Nations and non-governmental organizations", which updated the arrangements on consultative relations with non-governmental organizations set out in ECOSOC resolution 1296 (XLIV) of 23 May 1968. In view of this, the Board further noted that the UNCTAD secretariat would review the arrangements for the participation of non-governmental organizations in the activities of UNCTAD, as contained in Board decision 43 (VII) of 20 September 1968, and would report to the Board at an executive session.

17. At the same meeting, the Board took note that the following non-governmental organizations had changed their names:

(a) The Coordination Committee for the Textile Industries in the European Economic Community (COMITEXTIL), which had been granted status in the special category by the Board at the first part of its twelfth session, was now the European Apparel and Textile Organisation (EURATEX), incorporating the European Largest Textile and Apparel Companies (ELTAC) and the European Clothing Association (ECLA).

(b) The Miners' International Federation (MIF), which had been granted status in the special category by the Board at its thirteenth session, had merged with the International Federation of Chemical, Energy and General Workers' Unions (ICEF) and was now the International Federation of Chemical, Energy, Mine and General Workers' Unions (ICEM).

(c) The European Association for the Trade in Jute Projects (EATJP), which had been granted status in the special category by the Board at the first part of its tenth session, was now the European Association for the Trade in Jute and Related Products (EAJP).

(d) The Association of West European Shipbuilders, which had been granted status in the special category at the first part of the thirty-fourth session of the Board, had changed its name to Association of European Shipbuilders and Shiprepairers, retaining the acronym AWES.

(d) Review of the calendar of meetings

[To be completed as appropriate]

(e) Administrative and financial implications of the actions of the Board

[To be completed as appropriate]

G. Adoption of the report of the Board on its forty-third session

(Agenda item 11)

[To be completed as appropriate]

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Geneva, 7 October 1996
Agenda item 2

MESSAGE FROM MR. BOUTROS BOUTROS-GHALI,
SECRETARY-GENERAL OF THE UNITED NATIONS,
TO THE HIGH-LEVEL SEGMENT OF THE TRADE AND DEVELOPMENT BOARD

I welcome the convening of the Global Investment Forum under the auspices of UNCTAD.

This important event provides a focal point within the United Nations system for a thorough exploration of policies and arrangements for foreign direct investment, and in particular their impact on development in a globalizing world economy.

The deliberations in this Forum are also likely to concentrate on the links among investment, trade and technology. In the wake of the Uruguay Round, these interrelationships have assumed greater prominence and are becoming an increasingly significant component of the international policy agenda.

I am certain that this Forum will contribute positively to the ongoing dialogue on these vital questions.

You are gathering in fulfilment of the objectives set out by UNCTAD IX in Midrand, South Africa. In my address to UNCTAD IX, I emphasized the role of UNCTAD as a place of consensus and as an irreplaceable forum of the international community. The G-7 leaders, for their part, at their recent summit in Lyon, praised UNCTAD's renewal and described UNCTAD as "an important point of reference for the reform of the United Nations economic and social sector".

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I am particularly happy to note the new role that non-governmental actors are playing in UNCTAD activities. Joining the distinguished Ministers and high-level Government officials assembled today are chief executives of transnational corporations, the Secretary-General of the International Chamber of Commerce and the Secretary-General of the International Confederation of Free Trade Unions. The presence of these and other non-governmental actors provides a valuable bridge between official policy-makers and global civil society. I encourage you all to take advantage of this excellent opportunity to engage in informal exchanges on issues of common concern.

UNCTAD's work with regard to transnational corporations and foreign direct investment is receiving added impetus from its cooperation with the World Trade Organization. This forum offers a further opportunity for UNCTAD to contribute to the preparatory process for the forthcoming Ministerial Conference of the WTO, to be held in Singapore in December 1996.

Promoting growth, investment and sustainable development remains our main priority, our primary challenge, the focus of all our partnership efforts. In the expectation that the results achieved at this high-level meeting will build on, and add to, UNCTAD's long record of international achievement, I offer you my best wishes for a successful meeting.

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INTERDEPENDENCE AND GLOBAL ECONOMIC ISSUES FROM A TRADE AND DEVELOPMENT PERSPECTIVE: RETHINKING DEVELOPMENT STRATEGIES; SOME LESSONS FROM EAST ASIAN DEVELOPMENT EXPERIENCE

Draft President's summary

1. The debate on this item was rich and informative. It addressed a number of general policy issues concerning globalization and liberalization as well as more specific policy issues in its discussion of agenda item 3, "Interdependence and global economic issues from a trade and development perspective: Rethinking development strategies; some lessons from East Asia", using the Trade and Development Report 1996 as background. The debate also included a lively informal panel debate with outside experts whose views greatly contributed to a deeper understanding of the issues. However, some delegations regretted that translations of the Trade and Development Report into all the working languages of the United Nations were not available before the convening of the Board, which made adequate preparation for the discussion difficult for some Governments.

2. The Trade and Development Report 1996 was well received by delegations and commended for its high standards of analysis. Most delegations expressed satisfaction that its analysis of global interdependence issues from a development perspective reflected the consensus reached at UNCTAD IX. There was particular support for UNCTAD's efforts to analyze successful development experiences, drawing

out lessons that may be of value to other countries, and in particular the least developed countries. Several delegations expressed the opinion that taking these lessons from an analytical to a more action-oriented stage was the natural progression for this line of enquiry. A number of delegations felt that an examination of the successful experiences in other regions, including Latin American and the more successful least developed countries, and any appropriate lessons drawn for other countries, should take into full account particular social and political conditions as well as differences in levels of development.

3. The discussion on East Asian experiences was greatly strengthened by contributions from that region. Several delegations believed that sharing their experiences with other developing countries provided not only policy options for others currently facing daunting development challenges, but also a basis for more effective technical and financial assistance from the more advanced economies of East Asia. These delegations were generally very supportive of the analysis offered in the Trade and Development Report as a means of shedding further light on the particular mix of market mechanism and government policies used to coordinate a process of rapid economic growth and industrialization. Particular emphasis was given to the policies used to promote investment and exports, as well as to upgrading technologies, strengthening training and improving human capital. The critical role played by higher rates of private sector investment as well as investments in public infrastructure in removing supply constraints was generally recognized as being a central lesson which should be taken from East Asia to other developing countries. The positive role of selective foreign direct investment policies in this context was also recognized, but several delegations expressed the need for further empirical studies and research on the links between liberalization, foreign direct investment, technology and development, in light of East Asian experiences.

4. There was agreement that the role of the market as a basis of economic growth was now better appreciated by policy-makers in developing countries. While some delegations noted that there is a substantial overlap between the classical structural adjustment agenda and many features in the Asian success story, others argued that the dynamism of the "Asian Miracle" cannot be adequately defined by the functional approach advocated by the Bretton Woods institutions, and they expressed concern that the complementary and, when appropriate, the corrective role of the State had been unduly neglected in much recent discussion of development policy and the structural adjustment programmes. It was argued that a new generation of structural adjustment programmes in Africa should address the lessons from East Asian experience. However, some delegations from East Asia cautioned against an uncritical assessment of their experiences, recognizing that mistakes had been made and that these needed to be included in the learning process.

5. The question of how the East Asian economies had used external resources to strengthen their domestic growth dynamic was a particular concern of many delegations. Access to markets, foreign capital and technologies were also cited as integral to successful development in all the East Asian economies. A number of delegations expressed doubts as to the possible use of more selective trade and industrial policy measures, of the kind which appear to have been used by some East Asian economies, in the context of a new trading environment where increased liberalization has reduced the autonomy of the State to formulate its national economic policy, and they urged the secretariat to undertake work to determine more specific policy actions that are compatible with the Uruguay Round Agreements.

6. The optimistic stance adopted in this year's Trade and Development Report concerning the global environment for export-oriented industrialization met with some scepticism from several delegations. While there was agreement that globalization opened up many new opportunities for developing countries, some delegations believed that there was also an increased risk of marginalization. Several delegations saw the international economic and trade environment as much less conducive today as compared with the period when East Asia began its take-off into sustained economic growth. A combination of factors, including slower growth in the advanced economies, increased protectionism and much greater competition among developing-country exporters were identified as contributing to this changed environment.

7. In the light of new global obstacles facing policy-makers in developing countries, many delegations expressed interest in the regional dimension of East Asian success in which trade and investment had acted as vehicles to transfer growth impulses among countries at different levels of development. Several delegations discussed their own renewed efforts in this direction, and particularly the step-by-step approach that was being adopted. A number of delegations urged further work on this aspect of East Asian success and its implications for development strategies more generally.

8. The idea put forward in the Trade and Development Report that a marketing-cum-information service could help many newly industrializing economies in formulating their export strategies by monitoring the market conditions of certain labour-intensive manufactures met with mixed responses. A number of delegations noted that this task is already an important activity within ITC and in bilateral development assistance. However, some delegations encouraged further reflection by the secretariat on this issue.

9. Opinions concerning the short and medium-term prospects of the world economy differed quite sharply. For some, substantial progress in terms of global stability was beginning to translate into more sustainable growth, particularly in the North. The recent growth performance in Africa and Latin America also showed encouraging signs from this perspective. However, on other assessments the overall growth rate of the world economy was still too low and recovery in many parts of the world was still of too short a duration to make firm predictions about future trends. A number of delegations raised the concern that deflationary policies adopted by the developed countries and insistence on countering perceived inflationary pressures had contributed to slow growth in the world economy in view of the fact that the major industrial countries still account for three quarters of world output. Some delegations feared that the persistence, or even rise, of unemployment in these countries could generate pressures to reverse commitments made in the Uruguay Round Agreements, threatening the kind of export-led growth strategies followed in East Asia. Other delegations were of the view that fiscal consolidation was one of the core tasks of economic policy and that lower interest rates and more positive long-term expectations would promote growth in the world economy.

10. Among the constraints currently facing developing countries, many delegations cited the debt problem. Coverage of the debt issue in the Trade and Development Report was applauded and described as a good and accurate overview of the initiative under way in the Bretton Woods institutions. A number of delegations expressed their gratitude to UNCTAD for its helpful work on debt management and in the Paris Club negotiations. Some delegations made reference to recent proposals at the World bank and International Monetary Fund aimed at easing the debt burden of the least developed countries. While these were warmly received as pushing the discussion in the right direction, a number of delegations felt that more could be done particularly for the heavily indebted poorest countries. They felt that the debt sustainability criteria were still restrictive, and that there was a need for flexibility in determining country eligibility and for a realistic time frame. A few delegations argued that the debt problem should be dealt with by the Bretton Woods institutions, and that the TDR should focus on new priorities agreed in UNCTAD IX.

11. The TDR was also commended for its useful and thought-provoking discussion of the factors influencing international capital flows. The importance of national regulatory frameworks was noted and some speakers argued that, in view of the high volatility of such flows, capital controls may be employed on a temporary basis, but these should be supported by appropriate policy adjustments.

12. A number of delegations pointed to issues not covered in this year's TDR which could be usefully tackled in subsequent issues. These included the impact of policies and economic development on social justice and poverty as well as a more detailed assessment of the export opportunities actually created for developing countries by the Uruguay Round.

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Draft agreed conclusions

1. The Trade and Development Board expresses its appreciation of the work so far undertaken by the UNCTAD secretariat on development experiences of developing countries as part of its analysis of interdependence and global economic issues from a trade and development perspective. The secretariat should pursue this work, drawing as necessary on experiences of developing countries in other regions, and of the more successful least developed countries, deriving relevant policy lessons.

2. The Board takes note of the secretariat's intention to formulate lessons that could be considered by developing countries in Africa, and of the support to that undertaking being provided by Japan.

3. The Board invites its President to conduct informal consultations designed to re-vamp further the way the Board addresses the item on interdependence, drawing on the lessons learned from innovation undertaken so far.

4. In the above connection, decisions would be taken at an executive session of the Trade and Development Board in the Spring of 1997.

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